

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1403-01
Bill No.: HB 338
Subject: Education, Elementary and Secondary Retirement - Schools Teachers
Type: Original
Date: February 7, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** state there may be a minimal administrative impact; however, the impact is not expected to be significant. It assumed the impact would be less than \$100,000 per year

Oversight assumes a minimal administrative impact cost could be absorbed by the Department of Elementary and Secondary Education.

Officials from the **Public School Retirement System (PSRS)** state this proposal will change the current method of establishing the contribution rate for both systems. It will enable the rate to be increased no more than 1/2% per year in order to abide by the GASB 30-year amortization requirement. It requires an independent actuarial valuation at least every 10 years. It will simplify current service credit purchase formulas in both systems and will provide a no cost option for retirees enabling them to take a partial lump sum option at retirement; providing certain requirements are met.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

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<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill revises various provisions of the Missouri Public School Retirement System.

PUBLIC SCHOOL RETIREMENT SYSTEM

In school districts with 300,000 residents or less, the bill:

- (1) Requires the Board of Trustees to determine and certify to the employers the level rate of contribution and specifies the time period the rate should be established;
- (2) Requires the level rate of contribution for a fiscal year not to exceed the rate of contribution for the prior fiscal year by more than 0.5%;
- (3) Requires the board to determine and certify the level rate of contribution for a fiscal year based on an actuarial valuation;
- (4) Requires the board to have an actuary conduct an actuarial valuation of the system and additional valuations at least once every 10 years;
- (5) Requires a member who is reinstated with the retirement system to effect reinstatement by repaying to the system accumulated contributions which are withdrawn or refunded prior to termination with the retirement system;
- (6) Allows members who have accrued at least one year of membership service credit and who

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have covered employment with the system following the credit being purchased to purchase
DESCRIPTION (continued)

membership service credit or equivalent service credit under certain terms and conditions;

(7) Allows a member who has served in the armed forces and who is no longer in service to purchase membership service credit equivalent to the period of active duty service;

(8) Extends the period of a certain retirement allowance computation provision (Option 1) from July 1, 2003, to July 1, 2008; and

(9) Allows a member eligible for retirement who has not previously received a retirement allowance to elect to receive a partial lump-sum distribution based on an option plan. This election is based on years of creditable service and age and is subject to certain terms and conditions.

GENERAL RETIREMENT PROVISIONS

The bill:

(1) Allows members of specified public school retirement systems who have previous credit in another public school retirement system to purchase equivalent service credit in their present retirement system;

(2) Allows members of specified retirement systems who are within five years of retirement to purchase additional creditable service;

NON-TEACHER SCHOOL RETIREMENT SYSTEM

The bill:

1) Requires the Board of Trustees to determine and certify to the employers the level rate of contribution and specifies the time period the rate should be established;

(2) Requires the level rate of contribution for a fiscal year not to exceed the rate of contribution for the prior fiscal year by more than 0.5%;

(3) Requires the board to determine and certify the level rate of contribution for a fiscal year based on an actuarial valuation;

(4) Requires the board to have an actuary conduct an actuarial valuation of the system and additional valuations at least once every 10 years;

(5) Requires a member who is reinstated with the retirement system to effect reinstatement by repaying to the system accumulated contributions which are withdrawn or refunded prior to termination with the retirement system;

DESCRIPTION (continued)

(6) Allows members who have accrued at least one year of membership service credit and who have covered employment with the system following the credit being purchased to purchase membership service credit or equivalent service credit under certain terms and conditions;

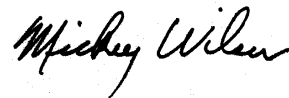
(7) Allows a member who has served in the armed forces and who is no longer in service to purchase membership service credit equivalent to the period of active duty service; and

(8) Allows a member eligible for retirement who has not previously received a retirement allowance to elect to receive a partial lump-sum distribution based on an option plan. This election is based on years of creditable service and age and is subject to certain terms and conditions.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Department of Elementary and Secondary Education
Public School Retirement System



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Director
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